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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

MIKE GLEASON, Chairman  
WILLIAM A. MUNDELL  
JEFF HATCH-MILLER  
KRISTIN K. MAYES  
GARY PIERCE

IN THE MATTER OF THE APPLICATION OF  
SULPHUR SPRINGS VALLEY ELECTRIC  
COOPERATIVE, INC.'S AMENDED AND  
RESTATED EPS/REST PLAN

DOCKET NO. E-01575A-07-0310

COMPLIANCE

In compliance with Decision No. 70096 dated December 21, 2007 and the requirements listed in A.A.C. R14-2-1813.B. and 1814.B., Sulphur Springs Valley Electric Cooperative, Inc. hereby files its 2009 Renewable Energy Standard and Tariff ("REST") Implementation Plan.

RESPECTFULLY SUBMITTED this 3<sup>rd</sup> day of November, 2008.

By

John Wallace  
Grand Canyon State Electric Cooperative Assn. Inc.

Original and thirteen (13) copies filed this  
3<sup>rd</sup> day of November, 2008, with:

Docket Control  
Arizona Corporation Commission  
1200 W. Washington  
Phoenix, AZ 85007

Arizona Corporation Commission

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**SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE**

**REST PLAN FOR 2009**

**A.A.C. R14-2-1814**

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## **I BACKGROUND**

The Arizona Corporation Commission ("Commission") approved the Renewable Energy Standard and Tariff Rules ("REST Rules") in Decision No. 69127 dated November 14, 2006. Following Attorney General Certification, the REST Rules took effect on August 14, 2007. Among other things, the REST Rules require the affected utilities serving retail electric load, such as Sulphur Springs Valley Electric Cooperative ("SSVEC") to derive certain percentages of the total energy that they sell at retail from eligible renewable energy resources.

After the REST Rules took effect, SSVEC filed tariffs to establish a REST surcharge for our members pursuant to R14-2-1808. The Commission approved these tariffs as part of Docket No. E-01575A-07-0310 Decision No. 70096. SSVEC is requesting no change to these approved tariffs in this filing.

The REST Rules contain a section that specifically addresses electric power cooperatives. R14-2-1814 instructs the cooperatives to file "an appropriate plan for acquiring renewable energy credits for eligible renewable energy resources for the next calendar year." Upon Commission approval, its provisions substitute for the requirement of R14-2-1804 and R14-2-1805 for SSVEC.

Pursuant to the requirements of the REST Rules, SSVEC submits this REST Plan for calendar year 2009 (the "2009 REST Plan") for approval by the Commission..

## **II SSVEC 2009 REST PLAN**

SSVEC will use surcharge dollars, any proceeds from consumer participation in the Green Energy Purchase Program and other potential sources (principally from approved grants) to fund its renewable program. These programs include both residential and commercial photovoltaic and wind project distributed generation rebates, and large-scale renewable installations, including possible participation in multi-utility joint projects. Surcharge funds will also be used to pay for the administration, advertising and promotion of these programs, as well as educational activities.

There are six primary parts to the SSVEC REST plan, which is called SunWatts:

- (1) The Sun Watts Green Energy Purchase Program
- (2) The Sun Watts Residential and Commercial Rebate Program
- (3) The public schools Clean Renewable Energy Bond program
- (4) The Sun Watts Large-Scale Generating Program
- (5) Sun Watts Residential and Small Business Loan Program
- (6) Sun Watts Loan Program for Large (over 20 kW) Systems
- (7) New Programs for 2009

Each of these programs is discussed in detail below

**(1) Sun Watts Green Contribution Program:** SSVEC will continue to offer our Sun Watts Green Power Contribution Program. In this current program, members may elect to contribute additional dollars on their bills to be used to fund various renewable energy programs.

**(2) Sun Watts Residential and Commercial Rebate Program:** The SunWatts rebate program pays customers rebates for the installation of qualifying photovoltaic (PV) and small wind installations. For both PV and small wind systems, SSVEC will pay \$4 per installed watt, up to 50 percent of the total cost of the system. This program will also be used in support of the Customer Self-Directed Renewable Energy Option as described in proposed Rule 1809.

Payment will be made following inspection and approval of the installed unit prior to energization. Customers have the option of hiring an electrician to certify the installation or having the distribution cooperative perform the inspection. Should the

customer opt to have the cooperative do the inspection, he/she will pay a trip charge to the cooperative.

One-half of the surcharge funds collected each year will be set aside to support this distributed generation rebate program. Of the funds earmarked for distributed renewable generation, at least half will be set aside for residential distributed projects. Any allocated funds not used in a particular year will roll over to the following year and may subsequently be used to support any program.

SSVEC will also continue with its \$1,500 new home incentive for builders.

**(3) The Clean Renewable Energy Bonds for Schools:** As part of the Federal Energy Bill of 2006, there was a provision for electric cooperatives to borrow monies at no interest. SSVEC submitted 41 projects for a total of \$11,480,000 in order to fund solar shade structures for each public school in SSVEC's service territory. SSVEC was informed by our banker in early December 2007 that the federal government has approved all of the projects submitted by SSVEC. This project was approved by the Commission as part of the SSVEC 2008 REST Plan. This project is approximately fifty percent complete. SSVEC expects these projects to be completed in the first quarter of 2009.

**(4) The SunWatts Large-Scale Generating Program:** The large-scale program calls for SSVEC to install and operate or build/operate utility-sized renewable generating units. SSVEC may also own and operate these large-scale projects or enter into long-term purchase power agreements.

SSVEC is also exploring several potential large-scale projects:

- ☐ Biomass/Biogas Project: SSVEC has been contacted by two independent developers who have suggested the development of

biomass and/or biogas projects at two sites in Cochise County. The first is a project to heat commercial greenhouses using plant wastes and chipped pallets in place of natural gas. SSVEC would buy Renewable Energy Credits created by this process. The second proposal calls for the development of a biogas generator that uses animal wastes from a large dairy. Both projects are in the initial phases of discussion and would not be operational until 2009 or 2010 at the earliest.

- ☐ Wind Power: We have been working with Arizona Public Service (APS) as a "stakeholder" on their plan to add 1,000 MW in an area still to be determined in Northern Arizona. We have also begun working with a private investment group and the leaders at the Fort Huachuca military base on several wind projects.
- ☐ Solid Waste Incineration: We are currently working with a local government agency in a project to convert trash to electricity. Preliminary studies indicate that this would be a 4 to 6 MW project.
- ☐ Large Scale Venture Capital Projects: SSVEC is currently in preliminary discussions with two venture capital firms who will construct two solar photovoltaic projects (minimum of 3 megawatts to a maximum of 15 megawatts). In one of these projects, SSVEC will team with a local governmental agency for one of the projects and a federal government agency on the other. In both of these projects, the venture capital firms will finance the



building of the large scale photovoltaic projects and in turn, SSVEC and/or the government agencies will sign a contract to purchase the total output of the facility at a specified price for 20 years.

**(5) Sun Watts Residential and Small Business Revolving Loan Program.**

SSVEC will continue to offer its 3% revolving loan program for residential and small business. The loan caps will remain at 4 kW for residential and 10 kW for small businesses. Loan amounts up to \$10,000 are repayable over five years and loans in the amount of \$10,001 or more will be repayable over 10 years.

**(6) Sun Watts Loan Program for Large (Over 20 kW) Systems.** SSVEC will offer a revolving loan program for large (over 20 kW) systems for our commercial and industrial customers. These customers will be able to borrow \$2.00 a watt up to a maximum of 50% of the cost of the project. The interest rate on these loans will be 3%. Payments and interest from the Sun Watts Loan Program will be remitted back to the revolving loan fund. Payments would be monthly and payable over a 60 month period. These will be secured loans and liens will be placed against the property.

Statements will be sent in a separate billing from the electric bill and the member will have a choice of being billed on either the 1<sup>st</sup> or the 15<sup>th</sup> of the month. Members requesting loans under this program will subject to internal and external credit checks. These customers will also be eligible for the Sun Watts rebate of \$4.00 per watt up to a maximum of 5,000 watts (\$20,000). Loans will be subject to program budget limitations. We will fund the residential/small business

revolving loan program and the Sun Watts large (over 20 kW) systems at 20% of the monies collected under the EPS program each year on a first come first serve basis. Principal and interest earned will contribute to the available loan funds. Available funds in excess of \$500,000 at the end of the year will be moved to the next year's general REST account. Projected budget for loan program below.

**(7) New Programs for 2009.** SSVEC proposes to add the following programs to its REST Plan in 2009:

- **Solar Water Heater Program.** SSVEC will pay a rebate equal to \$0.75 per kWh of energy saved during the system's first year of operation (this conforms to the Uniform Credit Purchase Program "UCPP" amount) based on the OG-300 ratings of the Solar Rating and Certification Corporation. Only OG-300 certified solar systems are eligible for the Sun Watts rebate. A list of OG-300 certified Solar Systems is available at the Solar Rating and Certification Corporation's website at [www.solar-rating.org](http://www.solar-rating.org). In addition, SSVEC will pay a maximum rebate of 50% of the cost of the solar water heater system and the solar water heating system will be eligible for the Sun Watts loan program up to a maximum of 25% of the cost. These rebate and loan amounts will keep the water heater program and the balance of the Sun Watts programs similar. Residential and commercial water heater systems will be covered. Solar swimming pool heating systems are not eligible. Licensed plumbers will be allowed to installed solar water heating programs.

- SSVEC is proposing to add four new qualifying renewable energy technologies to the 2009 REST Plan. These technologies are: Biomass, Biogas, Daylighting and Solar Space Cooling. SSVEC will use the incentive, specifications, and criteria developed by the UCPP Working Group to support these technologies. The Daylighting program will rebate \$.20 per kWh saved during the first year. The other programs will offer Production Based Incentives ("PBI") paid for Renewable Energy Credits ("REC") over a ten-year period for actual measured output. Biomass/Biogas incentives per kWh will be: \$0.06 for electric generation, \$0.035 for Biomass/Biogas CHP-electric, \$0.018 for Biomass/Biogas CHP-Thermal, \$0.015 for Biomass/Biogas thermal and \$0.032 for Biomass/Biogas cooling. The Solar Cooling PBI will be for ten years in the amount of \$0.129 per measured kWh. The final report of the UCPP working group will be followed.

### **III. MISCELLANEOUS ISSUES**

Habitat for Humanity Program: SSVEC will continue our partnership with the Habitat for Humanity Program to offer renewable energy options to low-income families in cooperative service territories. SSVEC will contribute dollars to the Habitat organization for the purchase of photovoltaic and other renewable energy equipment to be installed on Habitat homes and will also assist in finding local renewable energy equipment dealers who are willing to donate products and services. The type and amount of equipment will vary from project to project. Up to two of these projects will be undertaken each year at a cost not to exceed \$15,000.

Federal Grants: SSVEC will continue to work with a local grant writer to determine which federal agencies offer grants that SSVEC could combine with our REST monies in order to fund programs for our Members in our service territory. After reviewing these available grants, SSVEC is confident that we can obtain some of these additional monies. In 2008, SSVEC was successful in facilitating one grant for a Member in the amount of \$40,000 towards a \$180,000 energy project. The grant application scored the highest among Arizona grant applications and was only one of two USDA grants given to Arizona businesses.

#### **IV. ADMINISTRATION OF THE REST PLAN /SUN WATTS PROGRAM**

Annual Reporting and Plan Development: Pursuant to the Commission's Decision for SSVEC's 2008 Rest Plan (Docket No. E-01575A-07-0310, Decision No. 70096), SSVEC is to file its Annual Compliance Report by February 15<sup>th</sup> of each year. SSVEC hereby requests that it be permitted to file its 2009 Compliance Report and all subsequent Compliance Reports by March 1<sup>st</sup> of each year. SSVEC is requesting this additional two weeks to provide sufficient time to close out its financial reports for the year in accordance with its normal schedule

Advertising, Promotion, and Education: SSVEC works closely with the other Arizona Cooperatives in developing and executing the REST/Sun Watts program. SSVEC advertises in a variety of channels, including, but not limited to: bill inserts, bill messages, *Currents* (by monthly magazine), posters, television, radio, print, participation in local events (annual meetings, county fairs, etc), and the SSVEC website.

SSVEC also works in partnership with other electric providers in the state of Arizona for the Arizona Utilities for Renewable Energy Education ("AZURE") initiative.

AZURE is jointly developing renewable energy education material for teachers and educators across Arizona. The group's website is [www.azureeducation.com](http://www.azureeducation.com).

SSVEC is proposing that it offer a grant program for teachers in our service territory for the development of renewable curricula for the classroom. SSVEC intends to make up to ten \$500.00 grants for a maximum of \$5,000.00 per year.

In order to ensure that SSVEC members receive maximum value for the REST/Sun Watts programs, SSVEC will not use more than 10% of the total surcharge funds collected for administration, research, and development, and advertising expenses.

#### V. ESTIMATED RESULTS/BUDGET/TARIFFS

SSVEC will maintain its tariff rates approved by the Commission in 2007. These are \$0.05 per kWh with maximums of \$1.30 (residential), \$42.00 (commercial and industrial), and \$150.00 (industrial-demand over 3 MWs) per month per meter. A copy of our currently approved Commission tariff is attached as Exhibit A.

	2009	kW Produced
Estimated available REST Funds*	\$ 3,429,006	
Loan Program	\$ 514,351	
Program Costs **	\$ 342,901	
Habitat for Humanity projects	\$ 30,000	
CREB Bond Repayment	\$ 765,333	
SunWatts Rebates Residential	\$ 1,065,853	266
SunWatts Rebates Commercial	\$ 710,569	178
Total Projected Budget	\$ 3,429,006	

\* Projected Collection in 2009 plus estimated balance from 2008

\*\* includes Administration, R&D, and Advertising

Adjustments from the 2008 budget:

1) Based on the 2008 YTD program budget and costs, SSVEC found that the budget did not cover all program expenses. Therefore we increased the program cost reimbursement to 10% of collected funds to recover the costs associated with the program. 2) In 2008 Habitat for Humanity did not have a project in our service area so the \$15,000 budget amount for 2008 was carried over to increase the line item for the 2009 budget.

Exhibit A

Sulphur Springs Valley Electric Cooperative  
PO Box 820  
Willcox, Arizona 85644

SCHEDULE REST  
Renewable Energy Surcharge Tariff

Effective: For electrical usage beginning on or about January 1, 2008 and billed beginning with the February 2008 cycle billings.

Applicability

The Renewable Energy Surcharge Tariff is applicable to all consumers located along existing electric distribution lines of the Cooperative, who use the Cooperative's standard service for single- or three-phase service. Surcharges under this schedule will be in accordance with the Cooperative's general rules, terms and conditions, available at the Cooperative's office, which general rules or subsequent revisions thereof are a part of the schedule as if fully written herein.

Rate

\$0.005 per kWh subject to the following maximum per month:

Residential Consumers	\$1.30
Commercial & Industrial	\$42.00
Industrial (Demand over 3MWs)	\$150.00